VAALCO ENERGY INC /DE/
Form 10-Q
August 06, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2018

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to _______

Commission file number 1-32167

VAALCO Energy, Inc.

(Exact name of registrant as specified in its charter)

Delaware	76 0274813
(State or other jurisdiction of	(I.R.S. Employer
Incorporation or organization)	Identification No.)
9800 Richmond Avenue	
Suite 700	
Houston, Texas	77042
(Address of principal executive offices)	(Zip code)

(713) 623-0801

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer
Non accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
		Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes No

As of July 31, 2018 there were outstanding 59,445,688 shares of common stock, $0.10 par value per share, of the registrant.

As of July 31, 2018 there were outstanding 59,445,688 shares of common stock, $0.10 par value per share, of the registrant.

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VAALCO ENERGY, INC. AND SUBSIDIARIES

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Unless the context otherwise indicates, references to “VAALCO,” “the Company”, “we,” “our,” or “us” in this Form 10-Q are references to VAALCO Energy, Inc., including its wholly-owned subsidiaries.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

VAALCO ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(in thousands, except per share amounts)

	June 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40,490	$ 19,669
Restricted cash	1,029	842
Receivables:		
Trade	9,607	3,556
Accounts with joint venture owners, net of allowance of $0.5 million at June 30, 2018 and December 31, 2017	—	3,395
Other	122	100
Crude oil inventory	1,298	3,263
Prepayments and other	3,721	2,791
Current assets - discontinued operations	3,172	2,836
Total current assets	59,439	36,452
Property and equipment - successful efforts method:		
Wells, platforms and other production facilities	390,404	389,935
Undeveloped acreage	10,000	10,000
Equipment and other	8,531	9,432
	408,935	409,367
Accumulated depreciation, depletion, amortization and impairment	(387,808)	(386,146)
Net property and equipment	21,127	23,221
Other noncurrent assets:		
Restricted cash	918	967
Value added tax and other receivables, net of allowance of $6.4 million and $6.5 million at June 30, 2018 and December 31, 2017, respectively	6,724	6,925
Deferred tax asset	1,260	1,260
Abandonment funding	10,808	10,808
Total assets	$ 100,276	$ 79,633

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Accounts payable	$ 10,876	$ 11,584
Accounts with joint venture owners	9,807	—
Accrued liabilities and other	16,893	12,991
Foreign taxes payable	5,431	—
Current portion of long term debt	—	6,666
Current liabilities - discontinued operations	15,186	15,347
Total current liabilities	58,193	46,588
Asset retirement obligations	20,708	20,163
Other long-term liabilities	892	284
Long term debt, excluding current portion, net	—	2,309
Total liabilities	79,793	69,344
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock, none issued, 500,000 shares authorized, $25 par value	—	—
Common stock, $0.10 par value; 100,000,000 shares authorized, 66,966,301 and 66,443,971 shares issued, 59,420,471 and 58,862,876 shares outstanding	6,696	6,644
Additional paid-in capital	72,013	71,251
Less treasury stock, 7,545,830 and 7,581,095 shares at cost	(37,776)	(37,953)
Accumulated deficit	(20,450)	(29,653)
Total shareholders' equity	20,483	10,289
Total liabilities and shareholders' equity	$ 100,276	$ 79,633

See notes to condensed consolidated financial statements.

VAALCO ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenues:				
Oil and natural gas sales	$ 24,426	$ 20,425	$ 52,071	$ 41,691
Operating costs and expenses:				
Production expense	12,817	9,866	23,777	17,812
Exploration expense	12	—	12	—
Depreciation, depletion and amortization	1,035	1,970	2,159	3,839
General and administrative expense	5,008	3,049	7,611	6,191
Bad debt expense and other	145	183	89	281
Total operating costs and expenses	19,017	15,068	33,648	28,123
Other operating income, net	314	230	338	167
Operating income	5,723	5,587	18,761	13,735
Other income (expense):				
Interest expense, net	(30)	(378)	(384)	(781)
Other, net	(1,224)	338	(1,155)	222
Total other expense, net	(1,254)	(40)	(1,539)	(559)
Income from continuing operations before income taxes	4,469	5,547	17,222	13,176
Income tax expense	3,582	3,096	7,624	6,290
Income from continuing operations	887	2,451	9,598	6,886
Loss from discontinued operations	(343)	(168)	(395)	(344)
Net income	$ 544	$ 2,283	$ 9,203	$ 6,542
Basic net income (loss) per share:				
Income from continuing operations	$ 0.02	$ 0.04	$ 0.16	$ 0.12
Loss from discontinued operations	(0.01)	0.00	(0.01)	(0.01)
Net income per share	$ 0.01	$ 0.04	$ 0.15	$ 0.11
Basic weighted average shares outstanding	59,090	58,658	58,977	58,613
Diluted net income (loss) per share:				
Income from continuing operations	$ 0.02	$ 0.04	$ 0.16	$ 0.12
Loss from discontinued operations	(0.01)	0.00	(0.01)	(0.01)
Net income per share	$ 0.01	$ 0.04	$ 0.15	$ 0.11
Diluted weighted average shares outstanding	59,851	58,658	59,358	58,619

See notes to condensed consolidated financial statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(in thousands)

	Six Months Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 9,203	$ 6,542
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	395	344
Depreciation, depletion and amortization	2,159	3,839
Other amortization	191	201
Unrealized foreign exchange (gain)/loss	79	(580)
Stock-based compensation	2,674	783
Commodity derivatives loss	999	50
Bad debt expense and other	89	281
Other operating gain, net	(338)	(167)
Operational expenses associated with equipment and other	1,739	—
Change in operating assets and liabilities:		
Trade receivables	(6,051)	(1,314)
Accounts with joint venture owners	13,203	2,610
Other receivables	(23)	58
Crude oil inventory	1,965	(39)
Prepayments and other	(764)	395
Value added tax and other receivables	(249)	(1,130)
Accounts payable	(535)	(4,274)
Foreign taxes payable	5,431	—
Accrued liabilities and other	1,381	(977)
Net cash provided by continuing operating activities	31,548	6,622
Net cash used in discontinued operating activities	(892)	(4,049)
Net cash provided by operating activities	30,656	2,573
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment expenditures	(976)	(1,032)
Acquisitions	—	64
Proceeds from sale of oil and gas properties	—	250
Net cash used in continuing investing activities	(976)	(718)

Net cash used in discontinued investing activities	—	—
Net cash used in investing activities	(976)	(718)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuances of common stock	445	38
Debt repayment	(9,166)	(5,833)
Borrowings	—	4,167
Net cash used in continuing financing activities	(8,721)	(1,628)
Net cash provided by discontinued financing activities	—	—
Net cash used in financing activities	(8,721)	(1,628)
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	20,959	227
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	32,286	30,643
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	$ 53,245	$ 30,870
Supplemental disclosure of cash flow information:		
Interest paid	$ 257	$ 574
Income taxes paid	$ 2,720	$ 9,142
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment additions incurred but not paid at period end	$ 463	$ 423
Asset retirement obligation	$ —	$ (103)

See notes to condensed consolidated financial statements.

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VAALCO ENERGY, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND ACCOUNTING POLICIES

VAALCO Energy, Inc. (together with its consolidated subsidiaries “we”, “us”, “our”, “VAALCO,” or the “Company”) is a Houston, Texas based independent energy company engaged in the acquisition, exploration, development and production of crude oil. As operator, we have production operations and conduct exploration activities in Gabon, West Africa. As non-operator, we have opportunities to participate in development and exploration activities in Equatorial Guinea, West Africa. As discussed further in Note 4 below, we have discontinued operations associated with our activities in Angola, West Africa.

Our consolidated subsidiaries are VAALCO Gabon (Etame), Inc., VAALCO Production (Gabon), Inc., VAALCO Gabon S.A., VAALCO Angola (Kwanza), Inc., VAALCO UK (North Sea), Ltd., VAALCO International, Inc., VAALCO Energy (EG), Inc., VAALCO Energy Mauritius (EG) Limited and VAALCO Energy (USA), Inc.

These condensed consolidated financial statements are unaudited, but in the opinion of management, reflect all adjustments necessary for a fair presentation of results for the interim periods presented. All adjustments are of a normal recurring nature unless disclosed otherwise. Interim period results are not necessarily indicative of results to be expected for the full year.

These condensed consolidated financial statements have been prepared in accordance with rules of the Securities and Exchange Commission (“SEC”) and do not include all the information and disclosures required by accounting principles generally accepted in the United States (“GAAP”) for complete financial statements. They should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2017, which includes a summary of the significant accounting policies.

Reclassifications – Certain reclassifications have been made to prior period amounts to conform to the current period presentation related to the adoption of Accounting Standards Update (“ASU”) No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (“ASU 2016-18”). These reclassifications did not affect our consolidated financial results. See Note 2 – New Accounting Standards for further information associated with ASU 2016-18.

Restricted cash and abandonment funding – Restricted cash includes cash that is contractually restricted. Restricted cash is classified as a current or non-current asset based on its designated purpose and time duration. Current amounts in restricted cash at June 30, 2018 and December 31, 2017 each include an escrow amount representing bank guarantees for customs clearance in Gabon. Long term amounts at June 30, 2018 and December 31, 2017 include a charter payment escrow for the floating, production, storage and offloading vessel (“FPSO”) offshore Gabon as discussed in Note 10. We invest restricted and excess cash in certificates of deposit and commercial paper issued by banks with maturities typically not exceeding 90 days.

We are required under the Etame PSC to conduct abandonment studies to update the amounts being funded for the eventual abandonment of the offshore wells, platforms and facilities on the Etame Marin block. The current abandonment study was completed in January 2016. This cash funding is reflected under “Other noncurrent assets” as “Abandonment funding” on our condensed consolidated balance sheets. Future changes to the anticipated abandonment cost estimate could change our asset retirement obligation and the amount of future abandonment funding payments. See Note 10 for further discussion.

Bad debts – Quarterly, we evaluate our accounts receivable balances to confirm collectability. When collectability is in doubt, we record an allowance against the accounts receivable, purchases of production and a corresponding income charge for bad debts, which appears in the “Bad debt expense and other” line item of the condensed consolidated statements of operations. The majority of our accounts receivable balances are with our joint venture owners and the government of Gabon for reimbursable Value-Added Tax (“VAT”). Collection efforts, including remedies provided for in the contracts, are pursued to collect overdue amounts owed to us. Portions of our costs in Gabon (including our VAT receivable) are denominated in the local currency of Gabon, the Central African CFA Franc (“XAF”). As of June 30, 2018, the outstanding VAT receivable balance, excluding the allowance for bad debt, was approximately XAF 21.5 billion (XAF 7.2 billion, net to VAALCO). As of June 30, 2018, the exchange rate was XAF 563.1 = $1.00.

In June 2016, we entered into an agreement with the government of Gabon to receive payments related to the outstanding VAT receivable balance, of XAF16.3 billion (XAF 4.9 billion, net to VAALCO) representing the outstanding balance as of December 31, 2015, in thirty-six monthly installments of $0.2 million, net to VAALCO. Since signing the agreement, we have received one payment of $0.3 million, net to VAALCO, in July 2016 and one payment in March 2018 of $0.3 million, net to VAALCO. We are in discussions with the Gabonese government regarding the timing of payments.

For the three and six months ended June 30, 2018, we recorded a net recovery of $0.1 million and $0.1 million, respectively, related to the allowance for bad debt for VAT for which the government of Gabon has not reimbursed us. For the three and six months ended June 30, 2017, we recorded an allowance of $0.2 million and $0.3 million, respectively. The receivable amount, net of allowances, is reported as a non-current asset in the “Value added tax and other receivables” line item in the condensed consolidated balance sheets. Because both the VAT receivable and the related allowances are denominated in XAF, the exchange rate revaluation of these balances

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into U.S. dollars at the end of each reporting period also has an impact on profit/loss. Such foreign currency gains (losses) are reported separately in the “Other, net” line item of the condensed consolidated statements of operations.

The following table provides a rollforward of the aggregate allowance:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(in thousands)			
Allowance for bad debt				
Balance at beginning of period	$ (7,164)	$ (5,399)	$ (7,033)	$ (5,211)
Charge to cost and expenses	(145)	(183)	(89)	(281)
Foreign currency gain (loss)	361	(292)	174	(382)
Balance at end of period	$ (6,948)	$ (5,874) -	$ (6,948)	$ (5,874)

Fair Value – Fair value is defined as the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used in determining fair value are characterized according to a hierarchy that prioritizes those inputs based on the degree to which they are observable. The three input levels of the fair-value hierarchy are as follows:

Level 1 – Inputs represent quoted prices in active markets for identical assets or liabilities (for example, exchange-traded commodity derivatives).

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in markets not considered to be active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs).

Level 3 – Inputs that are not observable from objective sources, such as internally developed assumptions used in pricing an asset or liability (for example, an estimate of future cash flows used in our internally developed present value of future cash flows model that underlies the fair-value measurement).

Fair value of financial instruments – Our current assets and liabilities include financial instruments such as cash and cash equivalents, restricted cash, accounts receivable, derivative assets and liabilities, accounts payable, liabilities for stock appreciation rights (“SARs”) and a guarantee. Derivative assets and liabilities as well as SARs are measured and reported at fair value using level 3 inputs each period with changes in fair value recognized in net income. With respect to our other financial instruments included in current assets and liabilities, the carrying value of each financial instrument approximates fair value primarily due to the short-term maturity of these instruments. The carrying value of our long-term debt approximates fair value, as the interest rates are adjusted based on market rates currently in effect. There were no transfers between levels during the three and six months ended June 30, 2018 or 2017.

Foreign currency transactions – The U.S. dollar is the functional currency of our foreign operating subsidiaries. Gains and losses on foreign currency transactions are included in income. Within the condensed consolidated statements of operations line item "Other income (expense)—Other, net," we recognized losses on foreign currency transactions of $0.2 million and $0.1 million during the three and six months ended June 30, 2018, respectively. Within the condensed consolidated statements of operations line item "Other income (expense)—Other, net," we recognized gains on foreign currency transactions of $0.2 million and $0.3 million during the three and six months ended June 30, 2017, respectively.

2. NEW ACCOUNTING STANDARDS

Adopted

In March 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-05, "Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118" ("ASU 2018-05"). ASU 2018-05 adds the Securities and Exchange Commission's ("SEC") guidance released on December 22, 2017 in Staff Accounting Bulletin number 118 "(SAB 118") regarding the Tax Reform Act to the FASB Accounting Standards Codification. The Company adopted ASU 2018-05 in March 2018. The income tax effects recorded in the Company's financial statements in its Annual Report on Form 10-K for the year ended December 31, 2017 as well as for the three and six months ended June 30, 2018 as a result of the Tax Reform Act are provisional in accordance with ASU 2018-05 as discussed further in Note 13.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). Beginning January 1, 2018, we adopted ASU No. 2014-09, and the related additional guidance provided under ASU No. 2016-10, 2016-11 and 2016-12 (together with ASU 2014-09, "Revenue Recognition ASU"). This new standard replaced most existing revenue recognition guidance in U.S. GAAP. The core principle of the Revenue Recognition ASU requires companies to reevaluate when revenue is recorded on a transaction based upon newly defined criteria, either at a point in time or over time as goods or services are delivered. The ASU requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and estimates, and changes in those estimates. We adopted the Revenue

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Recognition ASU via the modified retrospective transition method, taking advantage of the allowed practical expedient that states we are not required to disclose the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. This standard applies to revenues from contracts with customers. In addition, we recognize other items from carried interest recoupment and royalties paid which are reported in revenues but are not considered to be revenues from contracts with customers. For revenues from contracts with customers, adoption of this standard did not result in a change in the timing or amount of revenue recognized, and therefore the adoption of this standard did not have a material impact on our financial position, results of operations, debt covenants or business practices. The adoption did result in expanded disclosures related to the nature of our sales contracts and other matters related to revenues and the accounting for revenues, which are reflected in Note 7. In addition, we implemented new internal controls and procedures associated with revenue recognition and disclosures related to revenues.

In November 2016, the FASB issued ASU No. 2016-18, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted ASU 2016-18 beginning January 1, 2018 with retroactive application to prior periods. Due to the nature of this accounting standards update, this had an impact on items reported in our statements of cash flows and related disclosures, but no impact on our financial position and results of operations.

The following tables provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheets to the amounts shown in the condensed consolidated statements of cash flows:

	June 30, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	$ 40,490	$ 19,669
Restricted cash - current	1,029	842
Restricted cash - non-current	918	967
Abandonment funding	10,808	10,808
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	$ 53,245	$ 32,286

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting (ASU 2017-09) to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. Under ASU 2017-09, modification accounting is required only if the fair value, the vesting conditions, or the classification of the award (as equity or liability) changes as a result of the change in terms or conditions. The amendments in ASU 2017-09 are effective for all entities for interim and annual reporting periods beginning after December 15, 2017. The amendments in this update are to be applied prospectively to an award modified on or after the adoption date. The adoption of ASU 2017-09 has not had a material impact on our financial position, results of operations, cash flows and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business (ASU 2017-01”). The purpose of the amendment is to clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. For public entities, the amendments in ASU 2017-01 are effective for interim and annual reporting periods beginning after December 15, 2017. The amendments in this update are to be applied prospectively to acquisitions and disposals completed on or after the effective date, with no disclosures required at transition. The adoption of ASU 2017-01 has not had a material impact on our financial position, results of operations, cash flows and related disclosures.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”) related to how certain cash receipts and payments are presented and classified in the statement of cash flows. These cash flow issues include debt prepayment or extinguishment costs, settlement of zero-coupon debt, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The adoption of ASU 2016-15 has not had a material impact on our financial position, results of operations, cash flows and related disclosures.

Not yet adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (“ASU 2016-13”) related to the calculation of credit losses on financial instruments. All financial instruments not accounted for at fair value will be impacted, including our trade and joint venture owners receivables. Allowances are to be measured using a current expected credit loss model as of the reporting date which is based on historical experience, current conditions and reasonable and supportable forecasts. This is significantly different from the current model which increases the allowance when losses are probable. This change is effective for all public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years and will be applied with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. We are currently evaluating the provisions of ASU 2016-13 and are assessing its potential impact on our financial position, results of operations, cash flows and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”), which was further clarified by ASU 2018-10, Codification Improvements to Topic 842, issued in July 20